



**AUDRAIN COUNTY, MISSOURI  
TWO YEARS ENDED DECEMBER 31, 2001**

**From The Office Of State Auditor  
Claire McCaskill**

**Report No. 2002-59  
August 27, 2002  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)**

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

August 2002

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Audrain, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also provide a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and it does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

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This audit of Audrain County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- Formal budgets were not prepared or obtained for all county funds for the two years ended December 31, 2001, resulting in a significant omission from the county's financial statements. No information regarding the increasing fund balance of the Special Law Enforcement Bond Fund was conveyed in the county's budget document. Although many of the unbudgeted funds are not under the direct control of the County Commission, budgets are still needed to comply with the law.
- The County Treasurer's failure to adequately perform accounting procedures including receipting, recording, and month-end reconciling resulted in some record keeping errors related to the county's two main bank accounts not being identified or corrected in a timely manner. In addition, some known discrepancies have not been investigated and resolved. As a result, the bank balances do not reconcile to the fund ledger balances.
- The county does not have adequate procedures in place to track federal financial assistance for preparation of the schedule of expenditures of federal awards. The county's schedules for 2000 and 2001 contained several errors and omissions. Without an accurate schedule, federal financial activity may not be audited and reported in accordance with federal audit requirements, which could result in future reductions of federal funds.

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- Interest totaling approximately \$127,000 earned from June 2000 to December 2001 has not been allocated to the various funds held in the county revenue checking account.
- The county's procedures are not adequate to ensure fixed assets purchases are added to the property records. In addition, the statutorily required periodic inventories and inspections have not been performed and no reports have been filed with the County Clerk.

**All reports are available on our website: [www.auditor.state.mo.us](http://www.auditor.state.mo.us)**

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## FINANCIAL SECTION

## State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission  
and  
Officeholders of Audrain County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Audrain County, Missouri, as of and for the years ended December 31, 2001 and 2000, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Audrain County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Audrain County.

As more fully described in Note 1 to the financial statements, the county's financial statements do not include statements of receipts, disbursements, and changes in cash - budget and actual for various funds totaling \$594,000 and \$610,000 in receipts, and \$432,000 and \$344,000 in disbursements for the years ended December 31, 2001 and 2000, respectively. Statements of receipts, disbursements, and changes in cash - budget and actual are required by the comprehensive basis of accounting discussed in Note 1.



In our opinion, except for the effects of the omission of the information discussed in the preceding paragraph, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Audrain County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2001 and 2000, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 15, 2002, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Audrain County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill  
State Auditor

May 15, 2002 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Regina Pruitt, CPA
In-Charge Auditor:	Cheryl Colter, CPA, CGFM
Audit Staff:	Stacy Griffin-Lowery
	Terri Crader



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Audrain County, Missouri

We have audited the special-purpose financial statements of various funds of Audrain County, Missouri, as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 15, 2002. That report expressed a qualified opinion on the special-purpose financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Audrain County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 01-1. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Audrain County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over

financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 01-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Audrain County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

May 15, 2002 (fieldwork completion date)

## Financial Statements

# Exhibit A-1

## AUDRAIN COUNTY, MISSOURI STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS YEAR ENDED DECEMBER 31, 2001

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 1,370,154	2,427,285	2,403,971	1,393,468
Special Road and Bridge	534,591	1,984,008	1,788,954	729,645
Assessment	187,825	245,637	204,003	229,459
Law Enforcement Training	751	4,342	3,847	1,246
Prosecuting Attorney Training	1,022	690	520	1,192
Bridge Trust	288,968	1,253,326	1,298,444	243,850
Emergency 911	154,657	280,118	277,548	157,227
Prosecuting Attorney Administrative	2,324	16,357	14,006	4,675
Law Enforcement Sales Tax	487	1,511,985	1,505,523	6,949
Sheriff Civil Fee	48	34,272	33,124	1,196
Election Services	3,250	4,865	1,362	6,753
Hospital Tax	61,730	455,328	425,000	92,058
Rothwell Trust	181,562	5,832	0	187,394
Recorder's Technology	0	2,879	850	2,029
Victims of Domestic Violence	1,829	5,124	4,553	2,400
Recorder User Fee	4,622	11,094	11,458	4,258
Prosecuting Attorney Delinquent Tax	128	3,088	2,652	564
DARE/Investigation	167	800	59	908
Local Emergency Planning Commission	17,003	5,054	9,881	12,176
Special Law Enforcement Bond	697,592	549,802	389,078	858,316
Sheriff Canine	108	125	200	33
Local Law Enforcement Block Grant	34	0	34	0
Law Library	3,670	9,804	8,953	4,521
Associate Circuit Division Interest	927	34	88	873
Children's Emergency	1,319	1,750	1,501	1,568
Circuit Interest	15,682	3,910	3,015	16,577
Juvenile	950	595	310	1,235
Total	\$ 3,531,400	8,818,104	8,388,934	3,960,570

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

AUDRAIN COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 1,062,661	2,440,244	2,132,751	1,370,154
Special Road and Bridge	516,609	1,765,868	1,747,886	534,591
Assessment	149,064	222,177	183,416	187,825
Law Enforcement Training	1,240	6,217	6,706	751
Prosecuting Attorney Training	1,684	948	1,610	1,022
Bridge Trust	14	1,128,351	839,397	288,968
Emergency 911	204,519	269,337	319,199	154,657
Prosecuting Attorney Administrative	2,884	16,858	17,418	2,324
Law Enforcement Sales Tax	14,268	1,265,773	1,279,554	487
Sheriff Civil Fee	3,261	33,604	36,817	48
Election Services	0	4,570	1,320	3,250
Hospital Tax	67,398	404,332	410,000	61,730
Rothwell Trust	172,089	9,473	0	181,562
Community Development Block Grant	0	3,500	3,500	0
Victims of Domestic Violence	1,300	1,098	569	1,829
Recorder User Fee	15,301	9,987	20,666	4,622
Prosecuting Attorney Delinquent Tax	1,825	1,322	3,019	128
DARE/Investigation	157	950	940	167
Local Emergency Planning Commission	16,885	5,544	5,426	17,003
Special Law Enforcement Bond	418,458	535,995	256,861	697,592
Sheriff Canine	0	31,373	31,265	108
Local Law Enforcement Block Grant	0	4,534	4,500	34
Law Library	5,465	9,396	11,191	3,670
Associate Circuit Division Interest	1,009	74	156	927
Children's Emergency	1,610	890	1,181	1,319
Circuit Interest	14,215	4,397	2,930	15,682
Juvenile	1,538	620	1,208	950
Total	\$ 2,673,454	8,177,432	7,319,486	3,531,400

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Exhibit B

## AUDRAIN COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>TOTALS - VARIOUS FUNDS</u></b>						
RECEIPTS	\$ 8,148,580	8,224,045	75,465	7,407,888	7,567,752	159,864
DISBURSEMENTS	9,209,823	7,956,302	1,253,521	8,437,248	6,976,074	1,461,174
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,061,243)	267,743	1,328,986	(1,029,360)	591,678	1,621,038
CASH, JANUARY 1	2,790,157	2,787,369	(2,788)	2,191,564	2,195,691	4,127
CASH, DECEMBER 31	1,728,914	3,055,112	1,326,198	1,162,204	2,787,369	1,625,165
<b><u>GENERAL REVENUE FUND</u></b>						
RECEIPTS						
Property taxes	372,200	414,952	42,752	365,200	368,148	2,948
Sales taxes	990,000	1,019,596	29,596	980,000	1,028,424	48,424
Intergovernmental	511,250	403,687	(107,563)	335,873	454,867	118,994
Charges for services	401,500	469,440	67,940	389,400	439,890	50,490
Interest	30,000	49,420	19,420	20,000	51,706	31,706
Other	37,000	50,190	13,190	48,010	77,209	29,199
Transfers in	20,000	20,000	0	20,000	20,000	0
Total Receipts	2,361,950	2,427,285	65,335	2,158,483	2,440,244	281,761
DISBURSEMENTS						
County Commission	94,268	90,292	3,976	82,265	82,285	(20)
County Clerk	102,550	99,657	2,893	96,625	93,870	2,755
Elections	17,100	9,344	7,756	58,000	55,629	2,371
Buildings and grounds	159,000	133,804	25,196	149,850	123,643	26,207
Employee fringe benefits	155,000	139,334	15,666	143,000	124,066	18,934
County Treasurer	38,177	37,248	929	37,924	36,482	1,442
County Collector	89,050	85,109	3,941	79,600	70,454	9,146
Ex Officio Recorder of Deeds	88,380	84,607	3,773	83,755	79,289	4,466
Circuit Clerk	22,650	11,777	10,873	19,250	11,044	8,206
Associate Circuit Court	6,500	2,621	3,879	12,550	1,294	11,256
Associate Circuit (Probate)	14,600	13,084	1,516	15,500	13,338	2,162
Court administration	13,420	2,798	10,622	14,150	6,270	7,880
Public Administrator	53,600	51,937	1,663	33,240	30,049	3,191
Prosecuting Attorney	247,620	245,685	1,935	237,250	229,865	7,385
Juvenile Officer	338,607	226,533	112,074	317,837	200,424	117,413
County Coroner	23,910	20,014	3,896	11,910	13,645	(1,735)
Public health and welfare services	6,050	3,500	2,550	5,650	4,520	1,130
Other	287,490	264,627	22,863	273,540	235,584	37,956
Transfers out	915,000	882,000	33,000	796,000	721,000	75,000
Emergency Fund	71,000	0	71,000	66,000	0	66,000
Total Disbursements	2,743,972	2,403,971	340,001	2,533,896	2,132,751	401,145
RECEIPTS OVER (UNDER) DISBURSEMENTS	(382,022)	23,314	405,336	(375,413)	307,493	682,906
CASH, JANUARY 1	1,370,154	1,370,154	0	1,062,661	1,062,661	0
CASH, DECEMBER 31	988,132	1,393,468	405,336	687,248	1,370,154	682,906

## Exhibit B

## AUDRAIN COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>SPECIAL ROAD AND BRIDGE FUND</u></b>						
<b>RECEIPTS</b>						
Property taxes	819,700	933,859	114,159	821,800	799,931	(21,869)
Intergovernmental	881,000	866,325	(14,675)	820,610	857,099	36,489
Interest	25,000	31,587	6,587	10,000	33,669	23,669
Other	27,500	152,237	124,737	40,000	29,944	(10,056)
Transfers In	0	0	0	0	45,225	45,225
Total Receipts	1,753,200	1,984,008	230,808	1,692,410	1,765,868	73,458
<b>DISBURSEMENTS</b>						
Salaries	340,045	314,240	25,805	326,045	292,173	33,872
Employee fringe benefits	118,000	90,804	27,196	108,000	84,483	23,517
Supplies	105,800	106,234	(434)	103,000	98,670	4,330
Insurance	19,000	19,952	(952)	18,000	18,280	(280)
Road and bridge materials	70,000	54,250	15,750	70,000	65,536	4,464
Equipment repairs	60,000	43,529	16,471	80,000	48,178	31,822
Rentals	1,000	0	1,000	3,000	150	2,850
Equipment purchases	260,000	215,782	44,218	385,400	228,223	157,177
Special Road Districts	665,326	653,028	12,298	650,445	569,121	81,324
Construction, repair, and maintenance	310,000	255,489	54,511	400,000	301,768	98,232
Other	78,500	15,646	62,854	80,000	21,304	58,696
Transfers out	20,000	20,000	0	20,000	20,000	0
Total Disbursements	2,047,671	1,788,954	258,717	2,243,890	1,747,886	496,004
RECEIPTS OVER (UNDER) DISBURSEMENTS	(294,471)	195,054	489,525	(551,480)	17,982	569,462
CASH, JANUARY 1	534,666	534,591	(75)	561,834	516,609	(45,225)
CASH, DECEMBER 31	240,195	729,645	489,450	10,354	534,591	524,237
<b><u>ASSESSMENT FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	219,830	238,671	18,841	239,700	217,265	(22,435)
Charges for services	3,300	6,966	3,666	4,000	3,223	(777)
Interest	1,700	0	(1,700)	4,500	1,689	(2,811)
Other	10,000	0	(10,000)	21,600	0	(21,600)
Total Receipts	234,830	245,637	10,807	269,800	222,177	(47,623)
<b>DISBURSEMENTS</b>						
Assessor	272,580	204,003	68,577	271,025	183,416	87,609
Total Disbursements	272,580	204,003	68,577	271,025	183,416	87,609
RECEIPTS OVER (UNDER) DISBURSEMENTS	(37,750)	41,634	79,384	(1,225)	38,761	39,986
CASH, JANUARY 1	187,825	187,825	0	149,064	149,064	0
CASH, DECEMBER 31	150,075	229,459	79,384	147,839	187,825	39,986



## Exhibit B

## AUDRAIN COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>LAW ENFORCEMENT TRAINING FUND</u></b>						
RECEIPTS						
Charges for services	5,500	4,342	(1,158)	5,500	6,217	717
Total Receipts	5,500	4,342	(1,158)	5,500	6,217	717
DISBURSEMENTS						
Sheriff	6,000	3,847	2,153	6,500	6,706	(206)
Total Disbursements	6,000	3,847	2,153	6,500	6,706	(206)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	495	995	(1,000)	(489)	511
CASH, JANUARY 1	751	751	0	1,240	1,240	0
CASH, DECEMBER 31	251	1,246	995	240	751	511
<b><u>PROSECUTING ATTORNEY TRAINING FUND</u></b>						
RECEIPTS						
Charges for services	900	690	(210)	1,000	948	(52)
Total Receipts	900	690	(210)	1,000	948	(52)
DISBURSEMENTS						
Prosecuting Attorney	1,800	520	1,280	2,500	1,610	890
Total Disbursements	1,800	520	1,280	2,500	1,610	890
RECEIPTS OVER (UNDER) DISBURSEMENTS	(900)	170	1,070	(1,500)	(662)	838
CASH, JANUARY 1	1,022	1,022	0	1,684	1,684	0
CASH, DECEMBER 31	122	1,192	1,070	184	1,022	838
<b><u>BRIDGE TRUST FUND</u></b>						
RECEIPTS						
Sales taxes	990,000	1,021,063	31,063	980,000	1,029,935	49,935
Intergovernmental	500,000	232,263	(267,737)	260,000	96,943	(163,057)
Interest	1,500	0	(1,500)	5,000	1,473	(3,527)
Total Receipts	1,491,500	1,253,326	(238,174)	1,245,000	1,128,351	(116,649)
DISBURSEMENTS						
Salaries	224,550	201,160	23,390	220,180	164,595	55,585
Office Expense	17,200	6,212	10,988	2,200	1,148	1,052
Equipment	100,000	85,473	14,527	50,000	1,789	48,211
Supplies	15,000	6,796	8,204	15,000	5,036	9,964
Mileage	4,000	3,159	841	2,000	655	1,345
Bridge Construction	1,348,800	995,644	353,156	903,120	620,949	282,171
Transfers Out	0	0	0	0	45,225	(45,225)
Total Disbursements	1,709,550	1,298,444	411,106	1,192,500	839,397	353,103
RECEIPTS OVER (UNDER) DISBURSEMENTS	(218,050)	(45,118)	172,932	52,500	288,954	236,454
CASH, JANUARY 1	288,968	288,968	0	(45,211)	14	45,225
CASH, DECEMBER 31	70,918	243,850	172,932	7,289	288,968	281,679

## Exhibit B

## AUDRAIN COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>EMERGENCY 911 FUND</b>						
<b>RECEIPTS</b>						
Telephone tax	268,000	279,662	11,662	250,000	267,313	17,313
Interest	1,500	350	(1,150)	2,000	1,664	(336)
Other	250	106	(144)	1,000	360	(640)
Total Receipts	269,750	280,118	10,368	253,000	269,337	16,337
<b>DISBURSEMENTS</b>						
Office expenditures	4,000	3,785	215	4,100	3,332	768
Equipment	154,000	84,906	69,094	210,200	97,584	112,616
Mileage and training	8,500	2,423	6,077	7,600	3,999	3,601
Legal expense	500	0	500	800	0	800
Signs	2,000	2,505	(505)	2,500	1,989	511
Salaries and fringe benefits	237,000	182,137	54,863	167,637	212,295	(44,658)
Other	150	1,792	(1,642)	500	0	500
Transfers out	10,500	0	10,500	21,600	0	21,600
Total Disbursements	416,650	277,548	139,102	414,937	319,199	95,738
RECEIPTS OVER (UNDER) DISBURSEMENTS	(146,900)	2,570	149,470	(161,937)	(49,862)	112,075
CASH, JANUARY 1	154,657	154,657	0	204,519	204,519	0
CASH, DECEMBER 31	7,757	157,227	149,470	42,582	154,657	112,075
<b>PROSECUTING ATTORNEY ADMINISTRATIVE FUND</b>						
<b>RECEIPTS</b>						
Charges for services	17,000	16,357	(643)	14,000	16,858	2,858
Total Receipts	17,000	16,357	(643)	14,000	16,858	2,858
<b>DISBURSEMENTS</b>						
Equipment and maintenance	11,000	14,006	(3,006)	13,000	17,418	(4,418)
Other	7,000	0	7,000	3,000	0	3,000
Total Disbursements	18,000	14,006	3,994	16,000	17,418	(1,418)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,000)	2,351	3,351	(2,000)	(560)	1,440
CASH, JANUARY 1	2,324	2,324	0	2,884	2,884	0
CASH, DECEMBER 31	1,324	4,675	3,351	884	2,324	1,440

## Exhibit B

## AUDRAIN COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>LAW ENFORCEMENT SALES TAX FUND</u></b>						
<b>RECEIPTS</b>						
Sales taxes	495,000	510,639	15,639	490,000	515,342	25,342
Intergovernmental	136,250	116,721	(19,529)	23,000	0	(23,000)
Interest	1,000	0	(1,000)	2,500	878	(1,622)
Other	10,000	2,625	(7,375)	0	28,553	28,553
Transfers In	915,000	882,000	(33,000)	796,000	721,000	(75,000)
Total Receipts	1,557,250	1,511,985	(45,265)	1,311,500	1,265,773	(45,727)
<b>DISBURSEMENTS</b>						
Public safety	539,850	563,630	(23,780)	356,200	370,522	(14,322)
Jail	832,750	761,739	71,011	799,800	757,300	42,500
Employee fringe benefits	172,000	180,154	(8,154)	154,000	151,732	2,268
Total Disbursements	1,544,600	1,505,523	39,077	1,310,000	1,279,554	30,446
RECEIPTS OVER (UNDER) DISBURSEMENTS	12,650	6,462	(6,188)	1,500	(13,781)	(15,281)
CASH, JANUARY 1	487	487	0	14,268	14,268	0
CASH, DECEMBER 31	13,137	6,949	(6,188)	15,768	487	(15,281)
<b><u>SHERIFF CIVIL FEES FUND</u></b>						
<b>RECEIPTS</b>						
Charges for services	32,500	34,272	1,772	35,000	33,604	(1,396)
Total Receipts	32,500	34,272	1,772	35,000	33,604	(1,396)
<b>DISBURSEMENTS</b>						
Equipment and services	32,500	33,124	(624)	35,000	36,817	(1,817)
Total Disbursements	32,500	33,124	(624)	35,000	36,817	(1,817)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,148	1,148	0	(3,213)	(3,213)
CASH, JANUARY 1	48	48	0	3,261	3,261	0
CASH, DECEMBER 31	48	1,196	1,148	3,261	48	(3,213)
<b><u>ELECTION SERVICES FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	0	0	0	2,500	0	(2,500)
Charges for services	3,500	4,865	1,365	4,000	4,570	570
Interest	10	0	(10)	50	0	(50)
Total Receipts	3,510	4,865	1,355	6,550	4,570	(1,980)
<b>DISBURSEMENTS</b>						
Elections	6,500	1,362	5,138	6,000	1,320	4,680
Total Disbursements	6,500	1,362	5,138	6,000	1,320	4,680
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,990)	3,503	6,493	550	3,250	2,700
CASH, JANUARY 1	3,250	3,250	0	0	0	0
CASH, DECEMBER 31	260	6,753	6,493	550	3,250	2,700

Exhibit B

AUDRAIN COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2001			2000		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>HOSPITAL TAX FUND</u></b>						
RECEIPTS						
Property taxes	410,000	450,301	40,301	405,000	398,779	(6,221)
Interest	3,690	5,027	1,337	3,645	5,553	1,908
Total Receipts	413,690	455,328	41,638	408,645	404,332	(4,313)
DISBURSEMENTS						
Health and welfare	410,000	425,000	(15,000)	405,000	410,000	(5,000)
Total Disbursements	410,000	425,000	(15,000)	405,000	410,000	(5,000)
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,690	30,328	26,638	3,645	(5,668)	(9,313)
CASH, JANUARY 1	73,805	61,730	(12,075)	70,160	67,398	(2,762)
CASH, DECEMBER 31	77,495	92,058	14,563	73,805	61,730	(12,075)
<b><u>ROTHWELL TRUST FUND</u></b>						
RECEIPTS						
Interest	7,000	5,832	(1,168)	7,000	9,473	2,473
Total Receipts	7,000	5,832	(1,168)	7,000	9,473	2,473
DISBURSEMENTS						
Health and welfare	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	7,000	5,832	(1,168)	7,000	9,473	2,473
CASH, JANUARY 1	172,200	181,562	9,362	165,200	172,089	6,889
CASH, DECEMBER 31	179,200	187,394	8,194	172,200	181,562	9,362

The accompanying Notes to the Financial Statements are an integral part of this statement.

## Notes to the Financial Statements

AUDRAIN COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Audrain County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Audrain County Hospital Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Community Development Block Grant Fund	2000
Recorder's Technology Fund	2001
Victims of Domestic Violence Fund	2001 and 2000
Recorder User Fee Fund	2001 and 2000
Dare/Investigation Fund	2001 and 2000
Local Emergency Planning Commission Fund	2001 and 2000

Special Law Enforcement Bond Fund	2001 and 2000
Sheriff Canine Fund	2001 and 2000
Local Law Enforcement Block Grant Fund	2001 and 2000
Law Library Fund	2001 and 2000
Associate Circuit Division Interest Fund	2001 and 2000
Children's Emergency Fund	2001 and 2000
Circuit Interest Fund	2001 and 2000
Juvenile Fund	2001 and 2000

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training Fund	2000
Prosecuting Attorney Administrative Fund	2000
Sheriff Civil Fees Fund	2001 and 2000
Hospital Tax Fund	2001 and 2000

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Hospital Tax Fund	2001 and 2000
Rothwell Trust Fund	2001 and 2000
Community Development Block Grant Fund	2000
Dare/Investigation Fund	2001 and 2000
Sheriff Canine Fund	2001 and 2000
Local Law Enforcement Block Grant Fund	2001 and 2000
Law Library Fund	2001 and 2000
Associate Circuit Division Interest Fund	2001 and 2000
Children's Emergency Fund	2001 and 2000
Circuit Interest Fund	2001 and 2000
Juvenile Fund	2001 and 2000

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 2001 and 2000, were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name or by an irrevocable standby letter of credit issued by a Federal Home Loan Bank.

The Audrain County Hospital Board of Trustees' deposits at December 31, 2001 and 2000, were entirely covered by federal depository insurance or by collateral securities held by the board's custodial bank in the board's name.

3. Prior Period Adjustment

The Sheriff Civil Fee Fund and Juvenile Fund cash balances of \$3,261 and \$1,538, respectively, at January 1, 2000, were not previously reported, but have been added so the county's financial statements will include these funds. The Jury Script Fund and Circuit Judge Fund cash balances of \$50 and \$9, respectively, at January 1, 2000, are not being reported since it was determined these are not operating funds.



## Supplementary Schedule

## Schedule

AUDRAIN COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2001	2000
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development -			
14.228	Community Development Block Grants/State's Program	N/A	0	3,500
	Department of Social Services -			
14.231	Emergency Shelter Grants Program	ERO-1640479	3,984	0
	U.S. DEPARTMENT OF JUSTICE			
	Passed through:			
	State Department of Public Safety -			
16.554	National Criminal History Improvement Program	2000-RH-CX-K024	1,815	0
16.579	Byrne Formula Grant Program	2000-NCD2-015	31,083	0
16.592	Local Law Enforcement Block Grants Program	99-LBG-078	0	4,050
	Missouri Sheriff's Meth-Amphetamine Relief Team -			
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	TF-2001-13	95,782	0
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	1,341	997
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission:			
20.205	Highway Planning and Construction	BRO-004(23)	146,275	118,681
		BRO-004(25)	95,344	23,054
		BRO-004(26)	27,377	0
	Program Total		268,996	141,735
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration:			
39.003	Donation of Federal Surplus Personal Property	N/A	0	47
	FEDERAL EMERGENCY MANAGEMENT AGENCY			
	Passed through state Department of Public Safety:			
83.534	Emergency Management - State and Local Assistance	EMK-2002-GR-2523	1,238	1,337

## Schedule

AUDRAIN COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2001	2000
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state Department of Social Services:				
93.563	Child Support Enforcement	N/A	83,553	79,101
93.658	Foster Care Title IV-E	N/A	1,700	1,200
93.667	Social Services Block Grant	ERO-172032	0	6,566
Total Expenditures of Federal Awards			\$ 489,492	238,533

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

## Notes to the Supplementary Schedule

AUDRAIN COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Audrain County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$3,984 to a subrecipient under the Emergency Shelter Grants Program (CFDA number 14.231) during the year ended December 31, 2001.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

## State Auditor's Report





**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Audrain County, Missouri

Compliance

We have audited the compliance of Audrain County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2001 and 2000. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Audrain County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2001 and 2000. However, the results of our auditing procedures disclosed an instance

of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 01-3.

#### Internal Control Over Compliance

The management of Audrain County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 01-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Audrain County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

May 15, 2002 (fieldwork completion date)

Schedule

AUDRAIN COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 2001 AND 2000

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:

Qualified

Internal control over financial reporting:

Material weaknesses identified?

\_\_\_\_\_ yes        x   no

Reportable conditions identified that are  
not considered to be material weaknesses?

  x   yes      \_\_\_\_\_ none reported

Noncompliance material to the financial statements  
noted?

  x   yes      \_\_\_\_\_ no

Federal Awards

Internal control over major program:

Material weaknesses identified?

\_\_\_\_\_ yes        x   no

Reportable conditions identified that are  
not considered to be material weaknesses?

  x   yes      \_\_\_\_\_ none reported

Type of auditor's report issued on compliance for  
major program:

Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of OMB  
Circular A-133?

  x   yes      \_\_\_\_\_ no

Identification of major program:

CFDA or  
Other Identifying

Number

Program Title

20.205

Highway Planning and Construction

Dollar threshold used to distinguish between Type A  
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

       yes

  x   no

## Section II - Financial Statement Findings

This section includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

**01-1.**

### **Omission of Budgetary Information**

The county does not have adequate procedures to ensure budgets are prepared for all county funds, and as a result, budgets were not prepared for various county funds for the two years ended December 31, 2001. The lack of budgetary information for these funds, especially the Special Law Enforcement Bond Fund, is a significant omission from the county's financial statements. The County Commission indicated they did not believe a budget was necessary for this fund because the only disbursements are scheduled lease payments related to the county jail facility. No discretionary disbursements are made from this fund. However, a significant fund balance is accumulating in this fund and plans for these monies should be conveyed in the county's budget document. In addition, although most of the unbudgeted funds are not under the direct control of the County Commission, budgets for these funds are needed to comply with statutory provisions.

Receipts which were not budgeted totaled approximately \$594,000 and \$610,000 for 2001 and 2000, respectively. Disbursements which were not budgeted totaled approximately \$432,000 and \$344,000 for 2001 and 2000, respectively. Chapter 50, RSMo 2000, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds, the County Commission and other county officials would be able to more effectively evaluate all county financial resources.

A similar condition was noted in the two prior reports.

**WE AGAIN RECOMMEND** the County Commission along with other applicable officials ensure budgets are prepared for all county funds as required by state law.

**AUDITEE'S RESPONSE**

*Beginning with the 2003 budget year the County Commission will prepare a budget for the Special Law Enforcement Bond Fund. In addition, the County Commission will make written requests and provide budget forms to all other appropriate officials for other county funds not currently included in the budget.*

<b>01-2. County Treasurer's Accounting Controls and Procedures</b>
--

Failure by the County Treasurer to adequately perform accounting procedures including receipting, recording, and month-end reconciling has resulted in some record keeping errors not being identified. Problems noted related primarily to the treasurer's two main bank accounts - the county revenue bank account which contains monies of the major county operating funds and the general bank account which contains monies of the treasurer's agency funds and funds administered by county officials other than the county commission. Some problems were also noted with the payroll bank account.

Receipt records are not reconciled to deposits and bank reconciliations have not been prepared by the County Treasurer for the county revenue bank account since July 2000. The County Treasurer indicated some reconciliations were prepared after July 2000, that these reconciliations contained discrepancies she was unable to resolve, and that the documentation of these efforts was not retained. Because proper reconciliations have not been performed, errors have occurred without timely detection. For example, in January 2001, \$15,437 of private car tax monies were deposited into the county revenue bank account without being receipted or recorded in the fund ledger. This error was not detected by the Treasurer until February 2002. In addition, unexplained discrepancies have existed in the County Treasurer's records for this account since July 2000. At our request, the Treasurer attempted to reconcile the bank balance for this account to the fund ledger balances for each month of 2001, and quantify the unresolved differences for each month. The unresolved differences varied from \$152,755 to \$9,054. We prepared a bank reconciliation for this account, and determined the reconciled bank balance exceeded the fund ledger balances and unrecorded receipts of the various funds held in the account by \$2,503 at December 31, 2001.

Although the County Treasurer prepares bank reconciliations for her other bank accounts, differences between reconciled bank balances and fund ledger balances are not always investigated and resolved. At December 31, 2001, the fund ledger balances of the funds held in the treasurer's general bank account and payroll bank account exceeded the reconciled bank balances by \$1,126 and \$126, respectively. Although the County Treasurer is aware of

the differences, she has not investigated and resolved them as of April 30, 2002. The County Treasurer should work to identify the discrepancies between the reconciled bank balances and the fund ledger balances.

To ensure receipts are accounted for properly and errors are detected and corrected on a timely basis, receipt slips should be issued for all monies received, receipts should be promptly recorded in the fund ledger, details of the receipt records should be reconciled to the composition of deposits, bank balances should be reconciled to fund ledger balances on a monthly basis, and any discrepancies noted should be investigated and resolved on a timely basis.

**WE RECOMMEND** the County Treasurer issue receipt slips for all monies received, record receipts in the fund ledger promptly, reconcile the details of the receipt records to the composition of deposits, and reconcile bank balances to fund ledger balances on a monthly basis. In addition, the difference between the reconciled bank balances and the fund ledger balances should be investigated and resolved on a timely basis. If the reasons for the current differences cannot be determined, the County Treasurer should transfer excess monies from the county revenue bank account to the treasurer's general and payroll bank accounts to bring them into balance. Any remaining excess funds in the county revenue account should be recorded as receipts of the General Revenue Fund to bring the account into balance.

#### **AUDITEE'S RESPONSE**

*We are now receipting in all monies received and currently reconciling the bank statements to the fund ledgers monthly. We have transferred money from the payroll bank account to the county revenue bank account to help bring the payroll bank account back into balance, and have receipted in the private car tax money. We have always tried to reconcile to the bank statement, but came up with differences. These reconciliations were not retained if we had unresolved differences.*

*I will make the necessary adjustments to bring the bank accounts back into balance by the end of September 2002.*

### Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

<b>01-3.</b>	<b>Schedule of Expenditures of Federal Awards</b>
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Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-004(23), BRO-004(25), and BRO-004(26)
Award Years:	2001 and 2000
Questioned Costs:	Not applicable

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as part of the annual budget.

The county does not have adequate procedures in place to track federal financial assistance for the preparation of the SEFA. The county's SEFA schedule contained several errors and omissions. For example, expenditures reported for Highway Planning and Construction were overstated by approximately \$354,000 in 2001 and understated by approximately \$46,000 in 2000, because the bridge projects that were federally funded were not properly identified. In addition, expenditures from six federal programs totaling approximately \$17,000 were omitted from the schedule, because the County Clerk did not know that they were federally funded or was unaware of the grants and did not request grant information from other county officials.

Without an accurate and complete SEFA, federal financial activity may not be audited and reported in accordance with federal requirements which could result in future reductions of federal funds.

**WE RECOMMEND** the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.



**AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*New accounting procedures were put in place in January 2002 to ensure future SEFA reports are accurate. The new procedures will enable better tracking of expenditures.*

*The County Clerk will contact the appropriate officials to ensure all federal programs are reported accurately.*

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

AUDRAIN COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Audrain County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 1999.

99-1. Budgetary Practices and Published Financial Statements

- A. Formal budgets were not prepared for various county funds. No documentation was available to indicate the County Commission obtained financial information regarding these funds prior to preparing the county's consolidated budget.
- B. The annual published financial statements did not include the financial activity of several county funds.

Recommendation:

The County Commission ask each office holder for budgetary and actual information on funds they control and record the repeated requests for such information in the County's minutes. And, we recommend that the County Commission review the Treasurer's annual settlement of funds to identify all funds controlled by the Treasurer in order to make certain that the reports the County Commission issues are complete and accurate.

Status:

Not implemented. See finding number 01-1 for similar budgetary concerns. With regard to the published financial statements, although this condition is not repeated in the current report, the recommendation remains as stated above.

99-2. County Treasurer's Records and Procedures

The County Treasurer maintained an excessive number of bank accounts.

Recommendation:

The Treasurer combine bank accounts while continuing to keep accurate records on fund balances in accounts shared by different funds.

Status:

Partially implemented. The County Treasurer combined several bank accounts, but has not kept accurate records. See finding number 01-2.

99-3. Computer Controls and Property Tax System

- A. The county did not have an adequate password system. Passwords used by the Assessor's office and County Clerk's office were not changed on a regular basis and the County Collector's office did not use passwords.
- B. No security system was in place to detect and stop incorrect log-on attempts.
- C. The computer program did not generate tax book page or control totals, but only a summary total at the end of each tax book.

Recommendation:

The County Commission implement a comprehensive computer security system to effectively employ the use of passwords and prevent repeated attempts to enter the computer system by trial-and-error. And, the computer system should be used to generate page and control totals on the tax books.

Status:

Partially implemented. A security system was implemented to detect and stop incorrect log-on attempts and tax books contained page and summary totals. The Collector's office began using passwords, but some of them are not kept confidential. In addition, passwords used by the various offices are not changed on a regular basis. Although not repeated in the current report, the recommendation remains as stated above.

99-4. General Fixed Assets Records and Procedures

- A. The County Clerk's office had no documentation indicating inventory information received from various offices was spot checked or verified. In addition, the County Clerk did not reconcile general fixed asset purchases to general fixed asset inventory additions.
- B. The County Clerk did not maintain property records in a manner that balances can be reconciled from period to period. In addition, assets are not numbered, tagged, or otherwise identified as county property and quarterly inspections of county-owned land and buildings were not performed.

Recommendation:

The County Commission maintain a complete and accurate fixed asset inventory with control totals reflecting the balance at the beginning of each year, the total additions and deletions equaling to the ending balance. All the detail should then tie to these control totals.

Status:

Not implemented. Because of changes to statutory provisions addressing county-owned property the current report concerns and recommendations differ from those addressed in the prior report. However, implementation of the current recommendations should satisfy the same concerns. See MAR finding number 2.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

AUDRAIN COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 1999, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

## MANAGEMENT ADVISORY REPORT SECTION



Management Advisory Report -  
State Auditor's Findings

AUDRAIN COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Audrain County, Missouri, as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 15, 2002. That report expressed a qualified opinion on the special-purpose financial statements. We also have audited the compliance of Audrain County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 15, 2002.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable legal provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Senate Bill 40 Board is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed that audit report and other applicable information.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. This Management Advisory Report includes no findings arising from our audit of the elected county officials referred to above. However, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit

of the special-purpose financial statements of Audrain County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

**1.**

### **Interest Allocations**

Interest earned on the county revenue checking account maintained by the County Treasurer has not been allocated to the various funds held in that account. This account earned approximately \$127,000 in interest during the period from July 2000 to December 2001. As of April 30, 2002, these interest monies had not been allocated or credited to the various funds held in the bank account.

Various statutory provisions and Attorney General's Opinions require the allocation of interest to various funds. Interest allocations should be performed on a timely basis to ensure interest monies are equitably distributed to all funds and accounted for properly.

**WE RECOMMEND** the County Treasurer allocate interest on a timely basis in accordance with state statutes and Attorney General's opinions.

### **AUDITEE'S RESPONSE**

*We will distribute the interest in August or September of 2002, and then continue to distribute it on a more regular basis.*

**2.**

### **Fixed Assets**

Each county official or their designee is responsible for performing periodic inventories and inspections. Our review determined that the various required inventories and inspections have not been performed and no reports have been filed with the County Clerk. As similarly discussed in the prior three reports, the county's overall procedures are not adequate to ensure fixed assets purchases are included in the general fixed asset records. Additions are not always recorded in the property records as they occur and fixed asset purchases per the expenditure records are not reconciled to additions to the property records. Many of the fixed assets purchased during the two years ended December 31, 2001, were not included on the fixed asset records. Examples of items omitted from the records include five Sheriff's department cars costing a total of approximately \$84,000, a Road and Bridge Department truck costing approximately \$59,000, and two Road and Bridge Department trailers costing a total of approximately \$27,000.

Adequate fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage. Physical inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk.

**WE RECOMMEND** the County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property.

#### **AUDITEE'S RESPONSE**

*The County Commission is currently working toward establishing procedures to improve record keeping and accounting for the county's general fixed assets.*

This report is intended for the information of the management of Audrain County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on Prior Audit Findings

## AUDRAIN COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Audrain County, Missouri, on findings in the Management Advisory Report (MAR) of our audit report issued for the two years ended December 31, 1997.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1.     Budgetary Practices and Published Financial Statements

See the audit report on Audrain County, Missouri, for the two years ended December 31, 1999 (report number 2000-67).

2.     County Treasurer's Records and Procedures

See the audit report on Audrain County, Missouri, for the two years ended December 31, 1999 (report number 2000-67).

3.     County Expenditures

See the audit report on Audrain County, Missouri, for the two years ended December 31, 1999 (report number 2000-67).

4.     Computer Controls and Property Tax System

See the audit report on Audrain County, Missouri, for the two years ended December 31, 1999 (report number 2000-67).

5.     Prosecuting Attorney Controls

- A.     Administration fees were remitted to the County Treasurer only monthly.
- B.     Checks and money orders received as restitution were not always remitted to the victims on a timely basis. Some checks and money orders were being held for more than a year.

Recommendation:

The Prosecuting Attorney:

- A. Turn administration fees received over to the County Treasurer daily or when receipts exceed \$100.
- B. Remit restitution received to the victims more timely.

Status:

- A. Partially implemented. The Prosecuting Attorney considered our recommendation and implemented a policy of remitting administration fees to the County Treasurer twice per month; and, it appeared this policy was regularly followed. These remittances often exceeded \$500. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Partially implemented. Improvement was noted. The Prosecuting Attorney adopted a policy of holding restitution no longer than one year before remitting it to the victim. He indicated that he believes it is necessary to hold the checks and money orders to serve as evidence in pending criminal cases. Although not repeated in the current MAR, our recommendation remains as stated above.

6. General Fixed Asset Records and Procedures

See the audit report on Audrain County, Missouri, for the two years ended December 31, 1999 (report number 2000-67).

## STATISTICAL SECTION



History, Organization, and  
Statistical Information

AUDRAIN COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1836, the county of Audrain was named after either James S. Audrain, a Missouri Representative or Colonel Charles H. Audrain. Audrain County is a county-organized, third-class county and is part of the Twelfth Judicial Circuit. The county seat is Mexico.

Audrain County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Audrain County received its money in 2001 and 2000 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	2001		2000	
	AMOUNT	% OF	AMOUNT	% OF
		TOTAL		TOTAL
Property taxes	\$ 1,348,811	31	1,168,079	28
Sales taxes	1,019,596	23	1,028,424	24
Federal and state aid	1,270,012	29	1,311,966	31
Fees, interest, and other	772,874	17	697,643	17
Total	\$ 4,411,293	100	4,206,112	100

The following chart shows how Audrain County spent monies in 2001 and 2000 from the General Revenue and Special Road and Bridge Funds:

USE	2001		2000	
	AMOUNT	% OF	AMOUNT	% OF
		TOTAL		TOTAL
General county government	\$ 1,908,239	45	1,684,297	44
Public safety	492,232	12	443,934	11
Health and Welfare	3,500	0	4,520	0
Highways and roads	1,788,954	43	1,747,886	45
Total	\$ 4,192,925	100	3,880,637	100

In addition, Audrain County has a Law Enforcement Sales Tax Fund, with receipts of approximately \$1,512,000 and \$1,266,000 in 2001 and 2000, respectively, for the purpose of public safety; and a Bridge Trust Fund, with receipts of approximately \$1,253,000 and \$1,128,000 in 2001 and 2000, respectively, for the purpose of bridge improvements.

The county maintains approximately 213 county bridges and 527 miles of county roads.

The county's population was 25,362 in 1970 and 25,853 in 2000. The following chart shows the county's change in assessed valuation since 1970:

		Year Ended December 31,				
		2001	2000	1985*	1980**	1970**
		(in millions)				
Real estate	\$	160.9	149.4	95.3	59.1	41.2
Personal property		72.9	70.2	20.0	15.0	9.3
Railroad and utilities		33.2	32.5	25.2	18.4	14.3
Total	\$	267.0	252.1	140.5	92.5	64.8

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Audrain County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,	
		2001	2000
General Revenue Fund	\$	.1500	.1500
Special Road and Bridge Fund*		.2700	.2700
Hospital Maintenance		.1700	.1700
Senate Bill 40 Board Fund		.2000	.2000

\* The county retains all tax proceeds from areas not within road districts. The county has four road districts that receive four-fifths of the tax collections from property within these districts, and the Special Road and Bridge Fund retains one-fifth. Three road districts also have an additional levy approved by the voters.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28 (29),	
		2002	2001
State of Missouri	\$	81,144	76,559
General Revenue Fund		434,166	408,560
Special Road and Bridge Fund		707,777	672,436
Assessment Fund		146,251	136,220
Health Center Fund		457,717	432,585
Senate Bill 40 Board		535,117	506,466
Schools Fund		8,852,208	8,460,014
Library Fund		533,633	505,357
Special Road Districts Fund		422,679	396,627
Nursing Home Fund		90,045	85,802
Fire Districts		265,361	256,137
Ambulance District		111,647	107,351
Cities and Village Tax		1,205,908	1,110,178
County Employee's Retirement		57,849	48,580
Commissions and fees:			
General Revenue Fund		225,815	209,590
County Collector		5,600	5,400
Total	\$	<u>14,132,916</u>	<u>13,417,863</u>

Percentages of current taxes collected were as follows:

		Year Ended February 28 (29),	
		2002	2001
Real estate	93.9 %		95.2 %
Personal Property	89.9		93.2
Railroad and utilities	99.8		100.0

Audrain County also has the following sales taxes; rates are per \$1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	\$	.0050	None	50
Bridge Trust		.0050	2004	None
Special Law Enforcement *		.0050	None	None

\* The proceeds of this sales tax are allocated 50 percent to the Law Enforcement Sales Tax Fund and 50 percent to the Special Law Enforcement Bond Fund.

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2002	2001	2000
County-Paid Officials:			
Richard Webber, Presiding Commissioner	\$	26,821	25,980
Roger Young, Associate Commissioner (1)		29,078	23,980
Thomas Groves, Associate Commissioner (1)		29,078	23,980
Virginia L. Pehle, Recorder of Deeds		37,300	36,025
Shelley Harvey, County Clerk		37,300	36,025
Thomas I. Osborne, Prosecuting Attorney		55,800	54,100
Stuart D. Miller, Sheriff		48,750	39,750
Doris F. Schutte, County Treasurer		27,797	26,854
M. Pat Farnen, County Coroner		15,750	
Kevin Farnen, County Coroner			7,750
Connie J. Hagan, Public Administrator (2)		50,500	26,642
Bonnie Hill-Deimeke, County Collector (3), year ended February 28 (29),	37,425	36,238	
Marsha Peery, County Assessor (4), year ended August 31,		44,150	42,900
Sam L. Kuder, County Surveyor (5)		N/A	N/A

- (1) The Associate Commissioners' salary amounts for 2000 included a \$2,282 mid-term salary increase given in 1999 pursuant to Section 50.333.13, RSMo, which the Missouri Supreme Court held was unconstitutional. The 2001 and 2000 salary amounts included cost of living adjustments on the mid-term salary increase, totaling \$68 per year. Both associate commissioners are repaying their mid-term raises and the related cost of living adjustments, totaling \$4,700, in monthly installments of \$200 each beginning in July 2001.
- (2) The 2001 amount includes \$7,500 earned in 2000, while the 2000 amount includes fees received from probate cases and \$7,500 earned in 1999.
- (3) Includes \$5,600 and \$5,400, respectively, of commissions earned for collecting city property taxes.
- (4) Includes \$900 annual compensation received from the state.
- (5) Compensation on a fee basis.

State-Paid Officials:

Penny J. Creed, Circuit Clerk	47,300	46,127
Linda R. Hamlett, Associate Circuit Judge	96,000	97,382

A breakdown of employees (excluding the elected officials) by office at December 31, 2001, is as follows:

Office	Number of Employees Paid by	
	County	State
Circuit Clerk	0	4 *
Recorder of Deeds	2 *	0
County Clerk	3	0
Prosecuting Attorney	7	0
Sheriff	42 **	0
County Treasurer	1 *	0
County Collector	5 ***	0
County Assessor	5	0
Associate Division	0	3 *
Probate Division	0	1
Road and Bridge	21	0
Buildings and Grounds	2	
Emergency Management	1 *	0
Total	<u>89</u>	<u>8</u>

\* Includes one part-time employee

\*\* Includes seven part-time employees

\*\*\* Includes four part-time employees

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Audrain County's share of the Twelfth Judicial Circuit's expenses is 41.36 percent.

The county entered into a lease agreement with a not-for-profit corporation on June 1, 1997. The terms of the agreement called for the corporation to issue bonds of \$5,595,000 for the purpose of constructing a new jail and for the corporation to lease the jail back to the county for payments totaling the principal and interest due to the outstanding bonds. The bonds are scheduled to be paid off in 2017. The remaining principal and interest due on the bonds at December 31, 2001, was \$5,030,000 and \$2,658,655, respectively.